

Canadian Northern Economic Development Agency
Quarterly Financial Report
For the quarter ended June 30, 2011

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates.

A summary description of the Canadian Northern Economic Development Agency can be found in Part II of the Main Estimates.

The quarterly report has not been subject to an external audit or review.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Canadian Northern Economic Development Agency's spending authorities granted by Parliament and those used by the department consistent with the Main Estimates for the 2011-2012 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the departmental performance reporting process, Canadian Northern Economic Development Agency prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

CanNor's total budget in 2010-2011 was \$61.2 million. The Agency's important role in the delivery of the Community Adjustment Fund and Recreational Infrastructure Canada Program in the territories as the lead department for Canada's Economic Action Plan in the North brought a budget increase in 2009-2010 and 2010-2011. CanNor delivered these programs without increasing its staff complement, so no downward adjustment will be made to the size of the Agency's team after these programs have sunset.

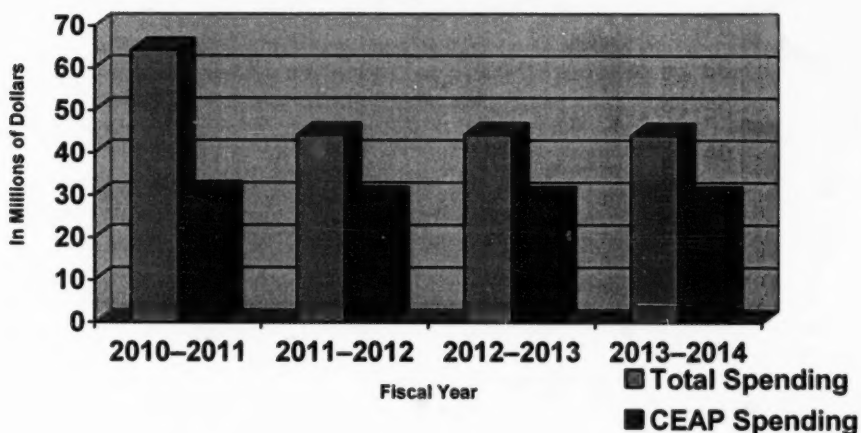
For 2011–2012, CanNor’s activities focus on the delivery of the Strategic Investments in Northern Economic Development Program (which received funding to March 31, 2014, under Canada’s Economic Action Plan), the ongoing work of the Northern Projects Management Office, and delivery of the suite of Aboriginal economic development programs, infrastructure programs and other initiatives for which CanNor is responsible on behalf of other departments. CanNor will also invest effort and resources in co-ordinating federal activities in the North and working with partners to respond to economic development challenges across northern communities.

Statement of Departmental Budgetary Expenditures by Standard Object

In its first full year of operation, CanNor invested time and resources into developing a Performance Measurement Framework that includes indicators for the measurement of program success. In its second year of operation, CanNor will establish baseline data and benchmarks for these indicators and for measuring the outcomes of its program activities as well as their contributions to CanNor’s strategic outcome. This means that, for fiscal year 2011–2012, targets established for program delivery relate only to program outputs. In future Reports on Plans and Priorities, program targets for outcomes will be established based on the baseline data and benchmarks gathered and developed by the Agency in 2011–2012.

The following figure illustrates CanNor’s spending trend from 2010–2011 to 2013–2014. The decrease of \$17 million from 2010–2011 to 2011–2012 largely represents the sunsetting of the Community Adjustment Fund and the Recreational Infrastructure Canada Program. Because CanNor was created in 2009–2010, no historical spending data exists for the Agency. Spending allocated from Canada’s Economic Action Plan (CEAP) is reflected in the total spending. While the Community Adjustment Fund and the Recreational Infrastructure Canada Program has not been renewed for fiscal year 2011–2012, the Strategic Investments in Northern Economic Development Program and CanNor’s base funding also form part of the Action Plan and will continue to fiscal year 2013–2014.

Spending Trend



Risks and Uncertainties

This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the Main Estimates for which full supply was released on June 27, 2011.

Budget 2010 announced that the operating budgets of departments would be frozen at their 2010-11 levels for the fiscal years 2011-12 and 2012-13.

Budget 2011 announced that departmental budgets would be examined through a Strategic and Operating Review. Pursuant to this review, it is expected that future years' budgets will be reduced for fiscal years commencing in 2012-13. However, at this time the nature and extent of any reductions are not known.

CanNor delivers its programs in a singular operational and business environment. Business development in the North needs to deal with the exigencies of the climate, remote communities, sparse population, dependence on natural resource extraction and associated challenges, such as underdeveloped infrastructure. Program delivery in the North therefore requires a strong focus on risk management and mitigation.

Operational Environment. The North's tremendous economic potential is coupled with enormous challenges in the delivery of economic development programming and regulatory co-ordination in the Arctic. Even the larger communities in the three territories are far from markets, and economic and municipal infrastructure can be limited. Logistics are challenging in the North and the cost of doing business is very high. CanNor needs to manage operational costs related to maintaining offices in the North. At the same time, as a new organization, CanNor must develop the suite of tools, practices, policies and procedures required to operate effectively as a federal government department. To manage this risk, CanNor has undertaken a staged plan for the management of office accommodation and the establishment of its headquarters in Iqaluit. In its policy and procedures development, the Agency is also working to ensure that business processes and tools are appropriate to the northern operating environment.

Human and Knowledge Capital. CanNor must manage the risks associated with maintaining a sufficient and representative workforce with the appropriate skill mix, as well as timely access to complete and appropriate information for effective operations and decision making. To manage recruitment and retention of skilled staff in the small northern labour market, CanNor is implementing a comprehensive human resources plan. CanNor has also undertaken alternative methods of hiring, such as engaging highly skilled personnel for short-term engagements to fill critical needs and establish the organizational foundation for the new Agency. These employees are also working to transfer their knowledge to long-term CanNor staff.

Alignment with Priorities and Needs. As a new organization in a specialized environment, CanNor has to give careful consideration to its organizational alignment of activities, priorities and financial resources to meet service expectations or organizational priorities. Risks relate to ensuring that scarce resources are allocated to priority activities. Mitigation tools include CanNor's Program Activity Architecture (which clearly identifies the Agency's business lines) and its Integrated Business Plan. CanNor is revising and standardizing its business processes and is also developing a strategic policy framework and economic research function to refine the Agency's goals and priorities.

Clients, Partners and Stakeholders. Most of CanNor's program delivery involves some element of partnership or collaboration, making it critical that the Agency manage risks associated with other actors in economic development. But as collaboration creates the risk it also mitigates it. CanNor has worked with partners across all three territories to develop consensus on five-year investment plans for the Strategic Investments in Northern Economic Development Program. CanNor is also working closely with Aboriginal economic development organizations to influence federal programming so that it aligns well with the needs of northern Aboriginal people. CanNor has established a model for collaboration with federal departments, such as Human Resources and Skills Development Canada, through memoranda of understanding. The Northern Projects Management Office is developing a variety of tools to be used to co-ordinate federal regulatory activities relating to major development projects in the North. These are examples of the Agency's important role as a convenor of diverse interests.

Public Communications. In support of its mandate, CanNor must: effectively communicate its role and activities under the government's Northern Strategy and Canada's Economic Action Plan; provide information on program delivery successes; engage the public, partners and stakeholders; and deliver consistent messages about the Agency so that Canadians understand its role and functions. Inaccurate or negative perceptions about CanNor can develop as a result of ineffective communications. To manage public communications, CanNor employs a suite of tools, including communications plans, engagement activities and standard business practices for announcements, media relations, and outreach.

Legal, Statutory and Land Claims. A number of policies and legislative requirements set the context for CanNor's operations. CanNor must also adhere to the terms of Aboriginal land claim and self-government agreements in the North. These agreements also influence the regulatory environment in which the Northern Projects Management Office must operate. To align with statutory and other legal requirements, CanNor is designing its own internal practices and models for business delivery. CanNor is striving to reflect in these practices the role played by comprehensive land claims and Aboriginal self-government agreements in the North.

Significant changes in relation to operations, personnel and programs

There is a decrease of \$17 million from 2010-11 to 2012 due to the sunseting of the Community Adjustment Fund and the Recreational Infrastructure Canada Program.

Approved by:

Nicole Jauvin, Deputy Minister

Helen Belanger, Chief Financial Officer

Ottawa, Canada
August 11, 2011

Canadian Economic Development Agency
Quarterly Financial Report
For the quarter ended June 30, 2011 (unaudited)

Financial Tables

STATEMENT OF AUTHORITIES
(unaudited)

(In thousand of dollars)

	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending	Expended during the quarter ended	Year to date used at quarter- end	Planned expenditures for the year ending	Expended during the quarter ended	Year to date used at quarter-end
	March 31, 2012	June 30, 2011		March 31, 2011	June 30, 2010	
Vote - Net Operating	12,936	1,981	1,981	13,710	1,335	1,335
Vote - Transfer Payments	30,057	100	100	46,312	0	0
 (S) Budgetary statutory authorities	 1,186	 296	 296	 1,181	 295	 295
Total Budgetary authorities	44,179	2,377	2,377	61,203	1,630	1,630
 Non-budgetary authorities	 0	 0	 0	 0	 0	 0
Total authorities	44,179	2,377	2,377	61,203	1,630	1,630

Departmental budgetary expenditures by Standard Object (unaudited)

(In thousand of dollars)

	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending	Expended during the quarter ended	Year to date used at	Planned expenditures for the year ending	Expended during the quarter ended	Year to date used at
	March 31, 2012	June 30, 2011	quarter-end	March 31, 2011	June 30, 2010	quarter-end
Expenditures:						
01 Personnel	6,587	1,873	1,873	6,944	1,375	1,375
02 Transportation and communications	1,624	100	100	1,633	140	140
03 Information	32	0	0	122	12	12
04 Professional and special services	1,636	6	6	2,574	55	55
05 rentals	895	1	1	1,281	9	9
06 Repair and maintenance	2	0	0	769	2	2
07 Utilities, materials and supplies	196	1	1	105	14	14
08 Acquisition of land, buildings and works	989	0	0		0	0
09 Acquisition of machinery and equipment	338	0	0	270	17	17
10 Transfer payments	30,057	100	100	46,313	0	0
11 Public debt charges	0	0	0		0	0
12 Other subsidies and payments	637	0	0	11	5	5
Total gross budgetary expenditures	42,993	2,081	2,081	60,022	1,630	1,630
Less Revenues netted against expenditures:						
Total Revenues netted against expenditures	0	0	0	0	0	0
Total net budgetary expenditures	42,993	2,081	2,081	60,022	1,630	1,630